

Public Agenda Item #15

Review, Discussion and Selection of the Money Market Fund for the Texa\$aver 401(k) and 457 Program on or before October 14, 2016

August 16, 2016

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Texa\$aver Program

Overview



The Texa\$aver Program is comprised of 2 separate Plans

TEXA\$AVER
401(k) Program

- Established in 1985
- Available to state agencies
- Automatic Enrollment feature
- Traditional and Roth contributions
- \$1.9 billion in assets



TEXA\$AVER
457 Program

- Established in 1974
- Available to higher education and state agencies
- Traditional and Roth contributions
- \$647.5 million in assets

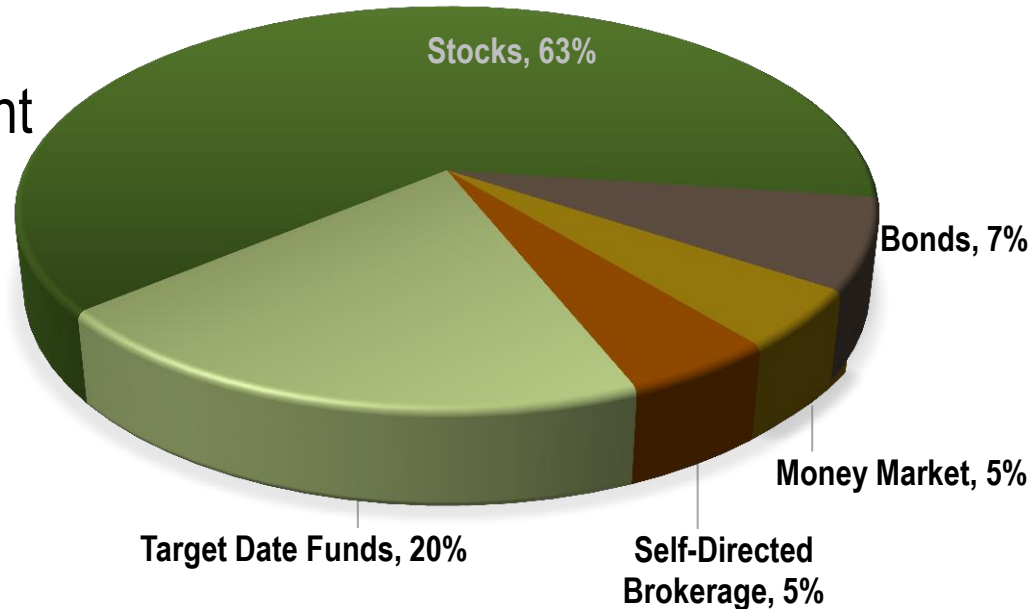
Texa\$aver Program

Overview



The Program uses

- **Mutual Funds:** investment vehicles that pool money from many investors
- **Collective Investment Trust (CIT) Funds:** investments formed from pooling assets from institutional investors



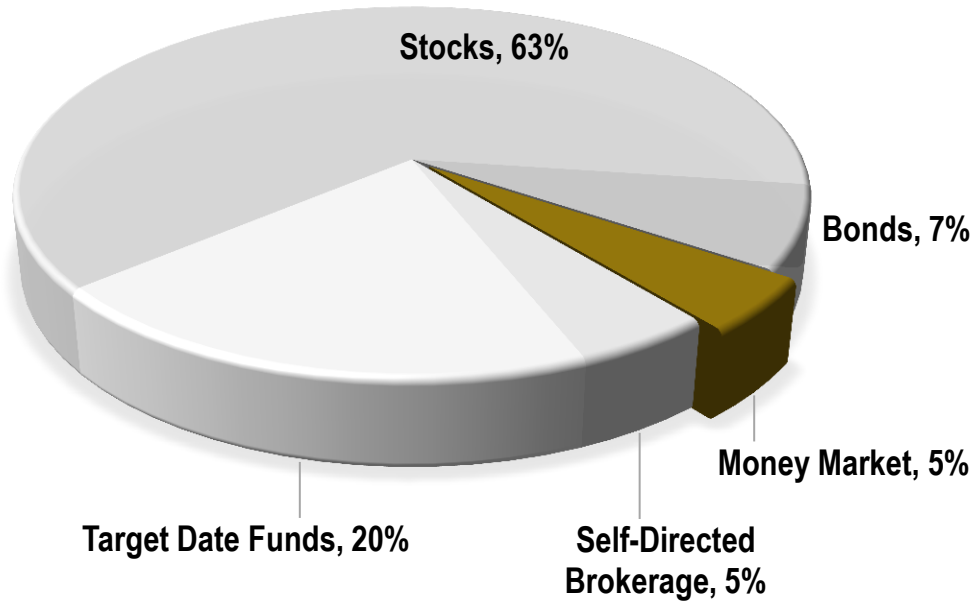
Texa\$aver Program

Overview



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Securities and Exchange Commission Amended Rule 2a-7

Money Market Fund Reform

- Requires a Floating Net Asset Value (NAV)
 - Imposes Redemption Fees
 - Establishes Liquidity Gates

Reform provisions become effective October 14, 2016



Texa\$aver Program

Impacts from Money Market Reform



Mutual Funds

Regulated
by SEC

- BlackRock TempFund, the Program's money market mutual fund, will be impacted by SEC's reform
- As of June 30, 2016: 26,319 participant accounts; \$139.4 million

Collective Investment Trusts (CITs)

Regulated by
OCC

Exempt
from SEC's
Reform

Texa\$aver Program

Impacts from Money Market Reform



- Product Review Committee

- Executive Director
- Deputy Executive Director
- Director of Benefit Contracts
- Chief Investment Officer
- Deputy Chief Investment Officer
- Director of Fixed Income
- Appointed Investment Advisory Committee member



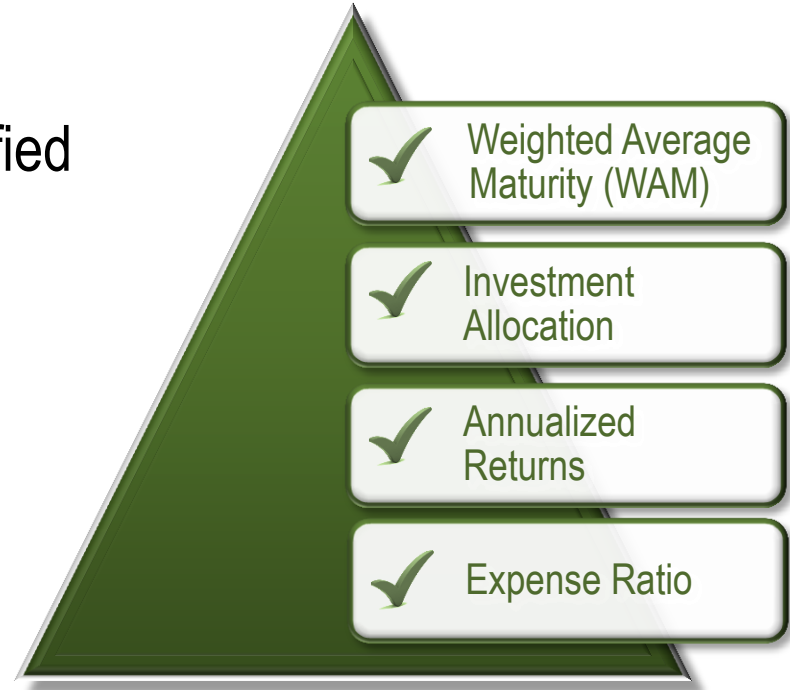
Texa\$aver Fund Evaluation

Money Market CIT Fund Search



- ERS provided fund search criteria to Program's TPA
- Two (2) fund managers met the specified criteria
 - BlackRock
 - JP Morgan
- PRC and ERS staff interviewed fund managers on May 23, 2016

Areas of Interest



Texa\$aver Fund Evaluation

Fund Profile Comparison



As of March 31, 2016	BlackRock Short-Term Investment (Collective)	JPMCB Liquidity Fund (Collective)
Fund Size	\$17.4 billion	\$10.2 billion
Weighted Average Maturity	18 days	36 days
Weighted Average Life	57 days	61 days
Investment Allocation:		
Certificate of Deposit	2%	48%
Repurchase Agreements	56%	0%
US Agency	18%	0%
US Treasury	4%	1%
Time Deposit Instruments	10%	16%
Commercial Paper	10%	30%
Corporate Bonds	0%	5%

Texa\$aver Fund Evaluation

Annualized Returns



Annualized Returns (Gross of Fees) As of March 31, 2016

	Current Fund	Proposed Funds		Benchmark
	BlackRock Liquidity TempFund (Money Market Mutual Fund)	BlackRock Short-Term Investment (Collective)	JPMCB Liquidity Fund (Collective)	Citigroup 3-Month Treasury Bill Index
1 Year	0.35	0.36	0.34	0.08
3 Year	0.26	0.28	0.27	0.05
5 Year	0.28	0.30	0.28	0.06
10 Year	1.49	1.40	1.48	1.07

Texa\$aver Fund Evaluation

Fund Expense Ratios



Fund Expense Ratios As of March 31, 2016

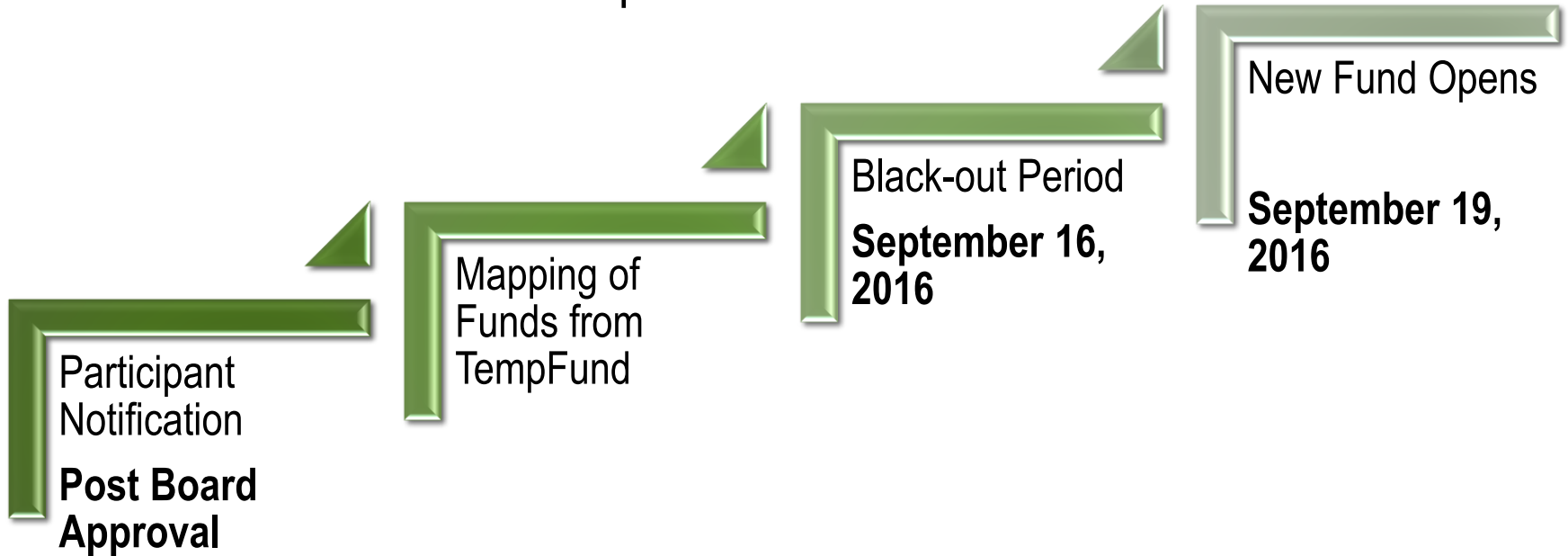
Current Fund	Proposed Funds	
BlackRock Liquidity TempFund (Money Market Mutual Fund)	BlackRock Short-Term Investment (Collective)	JPMCB Liquidity Fund (Collective)
0.18	0.0822	0.10

Texa\$aver Money Market Fund

Implementation Schedule



- Process Milestones from Proposed Schedule



Texa\$aver Money Market Fund

Staff Recommendation



- Remove the BlackRock Liquidity TempFund (Money Market Mutual Fund – TMPXX) in the Texa\$aver Program.
- Staff recommends offering a CIT money market fund within the Texa\$aver Program; automatic mapping of funds from TempFund.

Questions?